

Going Multinational: What are the effects on home market performance?

Abstract

A number of recent studies find evidence for the existence of a persistent performance gap between multinational enterprises (MNE) and their domestic competitors. This paper investigates to what extent MNEs have superior performance characteristics, both prior to and after they have switched from national to multinational activities. In the first case results are quite clear: Future multinationals outperform domestic firms. When comparing ex-post performance of firms an endogenous treatment model is applied to account for potential selectivity issues. The results suggest that after switching, both productivity and wage growth are higher for newly founded MNEs than for national firms. Employment growth is superior before switching but does not exhibit significantly higher ex-post growth rates. Moreover, capital intensities at multinationals evolve towards the use of capital.

Keywords: Multinational enterprises; productivity; endogenous treatment

JEL Classification: F10, F21, F23, D24